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Japan

Grain and Feed

Japan's Barley Policy: The Feed That's Treated Like a Food

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Report Highlights:

Barley imports, along with rice and wheat, are controlled by MAFF as a "Staple Food". Even though the import system mimics free market principles fairly closely, MAFF is hesitant to remove barley from the state system because it is a strategic alternative crop under the rice crop diversion program. However, MAFF's justification for maintaining control on barley imports is decreasing since MAFF exerts increasingly less control over imports, and the current rice policy reform calls for the end of direct state control on production.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo [JA1]
[JA]

Japanese Barley Market in Brief

Japan's annual demand for barley is about 1,600,000 metric tons (MT). Imports supply over 80% of total demand. Most domestic barley production is on diverted rice land, and benefits from generous subsidies. Local barley is mostly consumed in the food and beverage manufacturing sectors, primarily for malting, and its quality is generally low because of the climate. (Please see the ERS Report, RCS-0303-01 "Rice Sector Policies in Japan," March 2003.)

The feed industry accounts for about 80% (1,300,000 MT) of total demand. Barley is particularly important in feeding beef cattle because it produces high quality beef with the white marbling Japanese consumers favor. The largest non-feed uses are for the production of a traditional distilled liquor called *shochu* and beer. Other uses include *miso* (bean paste) and barley tea.

Import Process for Barley

Barely was an important source of energy in the Japanese diet in war-torn Japan. Although barley is now used primarily for animal feed, the Ministry of Agriculture, Forestry and Fisheries (MAFF) still treats it as a "staple food," along with wheat and rice, for import purposes.

MAFF's Food Department (formerly called the Food Agency) controls imports of all "staple foods," including barley.

Barley may be imported into Japan in one of three ways:

1. MAFF's Food Department Purchases Based on Industry Requests

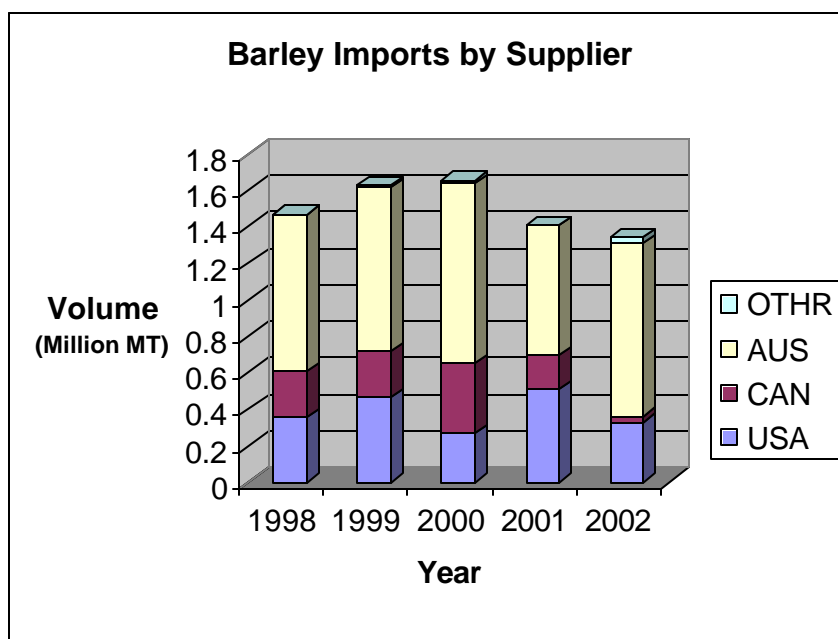
There is a tariff rate quota (TRQ) on the amount of barley that can be imported with 0% tariff for both feed and food, depending on supply and demand projections, and the availability of domestic barley. Under the TRQ MAFF's Food Department imports barley duty-free on behalf of licensed processors, taking a small, but undisclosed, service charge for this transaction.

2. Simultaneous Buy and Sell (SBS) System

The Simultaneous Buy and Sell (SBS) system was introduced in 2002 to allow buyers and sellers to communicate directly without going through the Food Department. (Please see the wheat section of the GAIN Report, JA3020, "Grain and Feed Annual Report".) In 2002, 800,000 MT of barley was imported through five SBS tenders. There is usually a spread between the buy-price and the sell-price of about 3,000 yen (\$25) per MT, which goes to the Food Department to cover its expenses. The SBS quota has been expanded over the years (850,000 MT in 2003). In fact, the feed manufacturing industry has repeatedly requested MAFF that all feed barley be imported through the SBS regime.

3. Commercial Imports

Barley imports were tariffed during the Uruguay Round, with an applied rate (rate applied outside of TRQ) of 39 yen per kilogram. Based on the average CIF price of barley in 2002, this would mean an effective tariff of approximately 220 percent. Consequently, commercial imports are very limited.



Breakdown of Barley Imports
(1,000 MT)

Barley for feed

	CY 2000	CY 2001	CY 2002
United States	259	504	307
Canada	337	140	14
Australia	765	529	766
Ukraine	-	-	30
Others	19	0	0
Total	1,380	1,173	1,117

Barley for food

	CY 2000	CY 2001	CY 2002
United States	8	9	22
Canada	52	42	17
Australia	214	186	186
Others	1	1	0
Total	275	238	225

Total barley

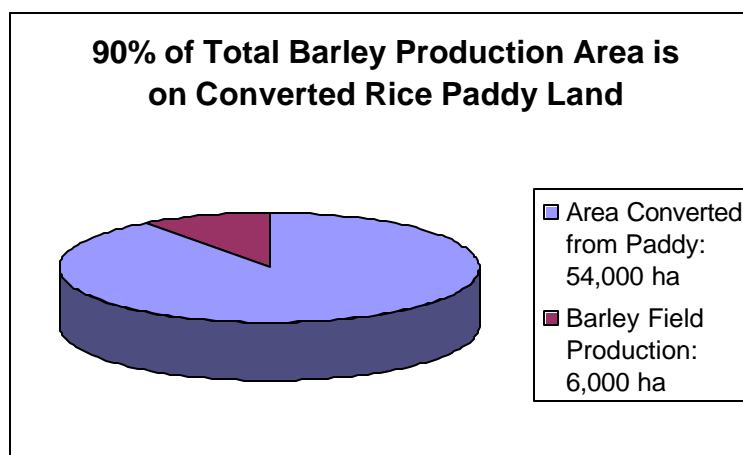
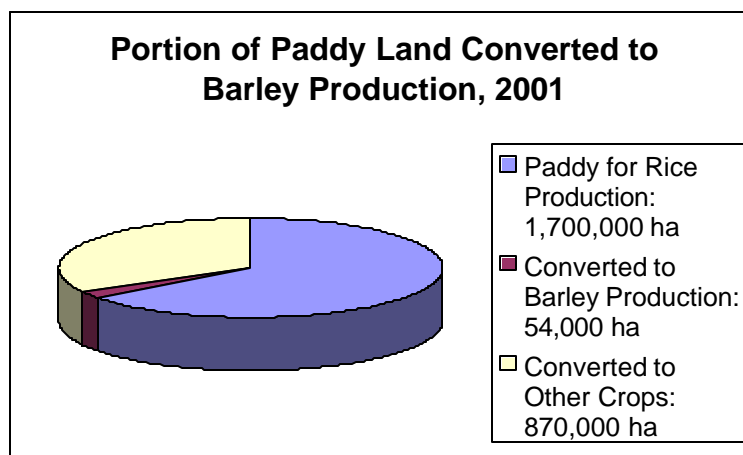
	CY 2000	CY 2001	CY 2002
United States	267	513	329
(share, %)	(16.1)	(36.4)	(24.5)
Total	1,655	1,411	1,342

Source: Ministry of Finance

Why is Barley Under State Control?

Since the current system tracks free market principles fairly closely, there appears to be little reason for Japan to defend continued state trading of barley. However, barley has traditionally been an important alternative crop under the rice land diversion program, and farmers who produce barley on rice paddy land receive subsidies of 830,000 yen per hectare (approximately 2,800 dollars per acre). MAFF is concerned that even with these high subsidies, domestic barley production would fall if the market were opened, because imported barley is cheaper and of better quality than domestic barley. On the other hand, MAFF wants to maintain duty-free barley imports to keep feed costs low for cattle producers.

By 2008, the government plans to phase out the government-controlled rice land diversion program and replace it with decoupled direct subsidies designed to support permanent production of wheat and barley. (Please see GAIN Report, JA3012, "Japan's Proposed Rice Reforms".) Once this occurs, the pressure on MAFF to maintain control of barley imports may be eased. As the subsidies are removed, however, barley production could shrink dramatically since, without subsidies, domestic barley will not be competitive in either price or quality.



Source: FAS/Tokyo based on the 77th Statistical Year Book of MAFF

Free Trade Benefits?

Even if barely trade were liberalized, total demand for barley would not increase because Japan's livestock industry is shrinking, while demand for barley for food use is stable. Under a free trade scenario, imports would eventually displace most of domestic production, of about 200,000 MT. The U.S. market share would depend on its price competitiveness and marketing efforts.

CIF Price of Feed Barley by Origin
(\$US per MT)

	CY 2000	CY 2001	CY 2002
United States	133.6	142.9	142.1
Canada	130.4	140.5	139.1
Australia	143.8	144.2	139.9
Ukraine	-	-	122.2

Source: Ministry of Finance